

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0292-01
Bill No.: SB 141
Subject: Taxation and Revenue; Education, Elementary and Secondary; Housing; Tax Credits.
Type: Original
Date: February 7, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education** assume this proposal would not fiscally impact their agency and defer to the Department of Revenue and the Department of Economic Development for potential impact to State Revenue.

Officials from the **Department of Revenue (DOR)** state this legislation limits the qualified Missouri projects for the low-income housing tax credit to projects located within a school district that has less than 20% of the pupils receiving free or reduced lunches.

DOR states this legislation may reduce the number of low-income housing credits issued. However, DOR does not expect this number to be significant. Therefore, there is no administrative impact to their agency.

Officials from the **Department of Economic Development - Missouri Housing Development Commission (MHDC)** state this bill redirects where the Missouri Low-Income Housing Tax Credit program can be used to develop affordable rental housing. It mandates that a qualified project that receives tax credit must be located in a school district where less than 20 percent of the pupils receive free and reduced lunches. According to information received from DESE, this would prohibit the

ASSUMPTION (continued)

allocation of tax credit for housing developments in 481 of the 524 school districts in the state. The following school districts are among those that have more than 20% of students receiving free/reduced lunches: the Kansas City School District (SD), St. Louis City SD, Columbia 93 SD, Springfield R-XII SD, St. Joseph SD, Independence 30 SD, Sedalia 200 SD, Sikeston R-VI SD, St. Charles R-V, R-VI SD's, Boone County R-IV SD, Lebanon R-III SD, Kirksville R-III SD, Joplin R-VIII SD, Johnson County R-VII SD, Jefferson City SD, Cape Girardeau 63 SD and Branson R-IV SD. Fifteen of the twenty-four school districts in St. Louis County have more than 20% of students receiving free/reduced lunches.

MHDC states the percent of children eligible for free/reduced lunches statewide is 38.20%. The vast majority of school districts have more than 20% of their students eligible for free/reduced lunches. MHDC states that it should be noted that there still exists a tremendous need for affordable housing in many of these school districts where new development would be prohibited using Missouri Low-Income Housing Tax Credit. While there probably would be a cost savings to the state because some tax credit might not be utilized, MHDC is unable to quantify the amount of the cost savings. This is due to the fact that the MHDC does not know where the proposals for tax credit will come from in a given year. Also since some tax credit might go unused, it might result in less affordable housing being constructed.

Officials from the **St. Louis Housing Authority** and the **Kansas City Housing Authority** did not respond to our request for fiscal impact.

Oversight assumes the entire amount of state low-income housing tax credits will still be utilized in the state, just in more limited areas. In 2002, the MHDC was authorized to issue up to \$9.8 million of state 9 percent low-income housing tax credits to help finance qualified low-income housing projects throughout the state. This proposal could result in a possible savings to the state if the limiting of areas of the state that are eligible to host "qualified Missouri projects" results in the tax credits not being fully utilized by MHDC.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2004
(10 Mo.)

FY 2005

FY 2006

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Small businesses that build low-income housing in certain parts of the state by utilizing MHDC low-income housing tax credits could be fiscally impacted as a result of this proposal.

DESCRIPTION

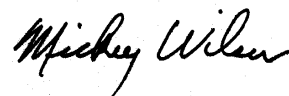
This proposal narrows the definition of a "Qualified Missouri Project" to only include projects in school districts where less than twenty percent of the students receive free and reduced school lunches. This restriction only applies to the initial filing of the eligibility statement for the project.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development - Missouri Housing Development Commission
Department of Revenue
Department of Elementary and Secondary Education

NOT RESPONDING: St. Louis Housing Authority, Kansas City Housing Authority



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Director

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